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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 314

AMERIO CONTACT PLATE FREEZER, INC.,

Petitioner,

—against—

BELT-ICE CORPORATION and FRANK W. KNOWLES,

Respondents.

PETITION FOR A WRIT OF CERTIORARI

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TABLE OF CONTENTS

	PAGE
Opinions Below	1
Jurisdiction	2
Questions Presented	2
Statutory Provisions Involved	3
Statement	4
Reasons for Granting the Writ	10
Conclusion	20
Appendix—Opinion of United States Court of Appeals	21

AUTHORITIES CITED

Cases:

B. F. Sturtevant Co. v. Massachusetts Hair & Felt Co. (1 Cir. 1941), 124 F. 2d 95	10, 18
Browning Manufacturing Company v. Bros. Incorporated (D. C. Minn., 1962), 134 USPQ 231, —— F. Supp. ——	19
Burke Electric Company v. Independent Pneumatic Tool Co. (2 Cir. 1916), 232 Fed. 145, 234 Fed. 93	10, 18
Chicopee Manufacturing Corp. v. Columbus Fiber Mills Co. (D. C. M. D. Ga., 1958), 165 F. Supp. 307	17, 18
Covert v. Covert (C. A. W. D. N. Y., 1901), 106 Fed. 183	18

PAGE

Dittgen v. Racine Paper Goods Co. (C. C. E. D. Wisc., 1910), 181 Fed. 394 18

Magee v. Coca-Cola Co. (7 Cir. 1956), 232 F. 2d 596 18

McCreery Engineering Co. v. Massachusetts Fan Co. (1 Cir. 1912), 195 Fed. 498 ..... 10, 18

Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co. (2 Cir. 1946), 153 F. 2d 516 ..... 13, 16

Philco Corp. v. Admiral Corp. (D. C. Del., 1961), 199 F. Supp. 797 ..... 10, 11, 13, 14, 15, 16, 18

Weinde v. Horine (7 Cir. 1915), 225 Fed. 501 ..... 17, 18

Statutes:

28 U. S. C. §1254(1) 2

28 U. S. C. §1338 4

28 U. S. C. §2201 4

35 U. S. C. §102(b) 2, 3, 10, 16, 17, 18, 20

35 U. S. C. §135 ..... 2, 3, 19, 20

35 U. S. C. §291 4

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Respondents.

PETITION FOR A WRIT OF CERTIORARI

The petitioner prays that a writ of certiorari be issued to review the judgment of the United States Court of Appeals for the Ninth Circuit, dated April 16, 1963, affirming a judgment of the United States District Court for the Western District of Washington, Northern Division, entered on April 2, 1962.

Opinions Below

The United States District Court for the Western District of Washington, Northern Division, Lindberg, *J.*, rendered an opinion and judgment entered in the Office of the Clerk of the United States District Court for the Western District of Washington, Northern Division on April 2, 1962.

The United States Court of Appeals for the Ninth Circuit rendered an opinion dated April 16, 1963 reported in

316 F. 2d 459. On May 16, 1963 the petition for rehearing was denied by the Court of Appeals for the Ninth Circuit.

Jurisdiction

The judgment of the United States Court of Appeals for the Ninth Circuit was dated April 16, 1963 and the petition for rehearing denied on May 16, 1963. The jurisdiction of this Court is invoked under 28 U. S. C. Section 1254 (1).

Questions Presented

1. Does the "on sale" provision of 35 U. S. C. §102(b) require the existence of a fully operative article or apparatus incorporating the invention together with a contract or offer to sell?

2. Is an offer to sell sufficient to constitute "on sale" within the meaning of 35 U. S. C. §102(b) where such offer is made to the public, orders are taken, machines embodying the invention are manufactured and subsequently delivered to the purchaser pursuant to the orders previously given?

3. Does the offer of an invention for sale with the exhibition of a mock-up of the invention to the public for the express purpose of soliciting orders and the taking of orders for the invention constitute "on sale" within the meaning of 35 U. S. C. §102(b)?

4. Did the court below err in holding that petitioner's claim that the Knowles Patent was barred pursuant to 35 U. S. C. §135 was *res judicata*?

Statutory Provisions Involved

1. 35 U. S. C. §102(b):

"A person shall be entitled to a patent unless—

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States."

2. 35 U. S. C. §135:

"*Interferences*

Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee, as the case may be. The question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved from the patent, and notice thereof shall be endorsed on copies of the patent thereafter distributed by the Patent Office.

A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted."

Statement

The basis for Federal jurisdiction in the Court of first instance is based on Title 28, U. S. C. 1338 and Title 28 U. S. C. 2201 under which petitioner sought a declaratory judgment as to the validity of Knowles' U. S. Patent #2,927,443 and infringement by petitioner of the Knowles Patent. Petitioner also sought an adjudication that respondents had been guilty of unfair competition, unfair trade practices and misuse of the Knowles Patent. Petitioner further sought an adjudication under Title 35 U. S. C. 291 relative to interfering patents: Knowles Patent No. 2,927,443 and MacKenzie U. S. Patent #2,697,920, of which petitioner is assignee.

Petitioner and other Amerio companies are, and have been for thirty years, a substantial factor in the manufacture and sale of commercial refrigerating equipment throughout the United States and in many foreign markets. Petitioner is assignee of the MacKenzie Patent from General Foods Corporation, itself the assignee of Lever Brothers and Unilever Limited of Great Britain. The application for the MacKenzie Patent was filed on February 25, 1952 and the Patent issued on December 28, 1954.

Knowles testified that his first drawing was made on December 16, 1947 (Tr. 58, 132)* and the first written description of the invention was made on December 16, 1947. (Tr. 143).

Knowles continued working on the invention and, by September 8, 1950, put his son, Frank L. Knowles, to work to complete the package freezer design (Tr. 289).

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* Figures in parentheses refer to pages in the trial transcript

To reduce the invention to practice, Knowles had a wooden mock-up constructed in September and October of 1950. It was completed within a week or ten days after construction was begun (Tr. 66-67).

The mock-up consisted of a vertical stack with a plurality of plates in a cradle, moving up and down, so that adjoining plates could open at a fixed station, secured by dogs, capable of being loaded at one side and unloaded at the other side (Tr. 86-87).

The mock-up was built "Exactly the way we would build the final machine" (Tr. 209, 213) and, indeed, "acted like the completed freezer, except that it did not freeze anything" (Tr. 83). Two machines embodying the elements of the mock-up were later constructed for Evergreen Frozen Foods Co. and used by it for the freezing of vegetables beginning in 1951.

Knowles disclosed his invention to several people prior to 1951, "to get them interested in buying the package freezers" (Tr. 66). The mock-up itself was shown to about twenty-five or thirty prospective customers and, on November 6, 1950, Belt-Ice Distributors was organized to act as sales representative for the freezer (Tr. 70-73).

On December 20, 1950, R. O. Cedargreen of Evergreen became the first potential customer to inspect the mock-up "because they were quite anxious to secure a package freezer" (Tr. 70, 79). In his diary, under date of December 20, 1950, Knowles wrote: "R. O. C. in. Wants a couple of plate freezers. Guess we are going to have to build them" (Tr. 315).

Knowles' diary for January 1951 contains the following entries reflecting the activity undertaken in connection with supplying Evergreen with two freezers. January 2, 1951 "Back to work. Saw R. O. C. (R. O. Cedargreen, manager

of Evergreen Frozen Foods) and started package freezer." January 3, 1951—"Mahoney making plans of R. O. C. layout . . ." January 5, 1951—" . . . Getting out plan for R. O. C. freezer."

Construction of the freezer began some time after the first of 1951 (Tr. 102). On January 23, 1951 Knowles ordered thirty refrigerating plates for two fifteen-plate machines at a cost of approximately $3,100 (Tr. 317). Knowles shortly thereafter executed a series of purchase orders for other equipment and entered into a contract with Carmac Shipyards for the construction of the freezers (Tr. 103).

In point of time, the construction of the freezers began shortly after Knowles' conversations with Cedargreen. On January 30, 1951, Knowles delivered a formal contract to Evergreen in connection with the purchase of the two freezers (Tr. 318). Although the contract was not signed at that time, the two freezers already under construction and the subject of the contract were in fact the very same freezers purchased by Evergreen and later installed at its plant.

The contract of January 30, 1951 provided for a price of $11,400 for two freezers (Tr. 80). Ultimately the price for the two freezers was $11,000 (Tr. 300), the difference based on the fact that the original contract provided for two fifteen-plate freezers and the delivered freezers contained fourteen plates (Tr. 302).

The seller-purchaser relationship existing between Knowles and Evergreen early in 1951 is best exemplified by the testimony offered by Knowles in January, 1958, in connection with an interference proceeding:

"Question Number 71:

What was the next activity regarding the package freezer following the construction of the prototype?"

"Answer:

I actually sold one—I sold two, rather, to Evergreen Frozen Foods from the prototype and the preliminary sketches."

"Question Number 75:

What do you mean by sold?"

"Answer:

Well, they said they would like two of them" (Tr. 217).

Knowles further testified in the 1958 deposition (Ex. 11, page 63) regarding his order for refrigeration plates in January, 1951:

"Question Number 344:

Why was Belt-Ice anxious to obtain these plates, Mr. Knowles?"

"Answer:

I had taken an order for two package freezers into which these plates were to go from the Evergreen Frozen Foods, and had verbally agreed that delivery would be made the first of June, so that the plant would be ready for peas about the first of July."

In contrast to his testimony in his deposition of January, 1958, Knowles testified at the trial of this action that the two machines were built on speculation and did not get an order for them until June, 1951 (Tr. 318).

Knowles prepared and sent to Evergreen a construction print bearing the date February 9, 1951 (Ex. 71) detailing the plans for a special room to house the freezers. Such a room was constructed and the freezers were installed and operated in the specially insulated room which contained no other freezers (Tr. 429-431).

On February 14, 1951, Evergreen suggested payment for the freezers on a rental basis (Ex. 5-B, Tr. 81) and this method of payment was accepted by Belt-Ice.

As work continued on the two freezers, Knowles and Cedargreen held further discussions concerning the manner in which Evergreen would pay for them. For May 15, 1951, Knowles' diary shows the following entry:

> "R. O. C. in town. Plates arrived. They want to pay 1c per pound plus interest until paid off" (Tr. 175, 176).

The Knowles' diary entry for June 5, 1951 shows the following:

> "R. O. C. came in, looked at freezers. Agreed to write us a letter outlining payment one cent per pound up to 5,000 [sic] pounds, then one-half cent" (Tr. 181).

The purchase order from Evergreen to Belt-Ice, dated June 23, 1951, provides for a purchase price of $11,000 for two freezers payable at one cent per pound of all produce frozen through the machines, up to 500,000 pounds, and one-half cent per pound thereafter. This arrangement was to be followed in the 1951 and 1952 seasons and the balance due at the end of the 1951 season was to draw interest at the rate of 6% (Tr. 300, 301).

By May 10, 1951, one of the two freezers under construction was completed except for the plates (Tr. 112, 113, 117, 118). On May 15, 1951, the machine was tested (Tr. 114) and it was found that the cradle and the dogs operated properly and that spacing could be achieved (Tr. 125, 126). As a result of the testing, Knowles "was certain when the plates arrived that the machinery would support the plates and do the work that we expected it to do" (Tr. 114).

The plates arrived on May 22, 1951 and with the freezers complete, it was only necessary to drop the plates into the machine (Tr. 105). The freezer had already been satisfactorily tested and Knowles knew that the plates would work since they had been in use for many years (Tr. 126).

The completed freezers were shipped to the Evergreen plant at Snohomish, Washington, in June and fully operated there on July 5, 1951 (Tr. 107). The freezers were used to freeze peas, corn, strawberries, and raspberries during the months of July, August and September, 1951 (Tr. 427-428).

On May 23, 1952, Knowles filed an application for a U. S. Patent, Serial #289,638 entitled "Plate Freezer For Packaged Foods". While this application was pending, the MacKenzie patent was issued on December 8, 1954. On February 14, 1956 all claims in the Knowles' application were rejected by the U. S. Patent Office and in the rejection the MacKenzie patent was officially cited. On March 23, 1956 Knowles submitted, by amendment to the Knowles' application, Claims #25-29, of which Claims #25, 26, 27 and 28 were substantially identical in language and context with Claims #3, 6, 7 and 10, respectively; of the MacKenzie patent. On August 7, 1956 Interference was declared between the Knowles' patent and the MacKenzie patent.

On March 8, 1960 the Commissioner of Patents issued the Knowles patent to respondent Belt-Ice Corporation, based upon the Knowles application. The Knowles patent, now owned by Belt-Ice, contains Claims #13, 14, 15 and 16, which were Knowles' added patent application Claims #25, 26, 27 and 28 and involved as Counts #1, 2, 3 and 4 of the Interference.

Reasons for Granting the Writ

The decision below should be reviewed because it decided an important question of Federal law which has not been settled by this Court. In holding that an invention is not "on sale" within the meaning of 35 U. S. C. §102(b) where a mock up is shown for the purpose of soliciting orders, and orders are taken following such demonstration, the Court below has erroneously interpreted the language and intent of the statute. Furthermore, the decision of the Court below is in conflict with the holding in *Philco Corp.* v. *Admiral Corp.* (D. C. Del. 1961), 199 F. Supp. 797.

35 U. S. C. §102(b) provides as follows:

> "A person shall be entitled to a patent unless . . .
>
> "b. the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . ."

The application for the Knowles patent was filed on May 23, 1952, making the critical date May 23, 1951.

In its decision, the Court below, relying on the decisions in *B. F. Sturtevant Co.* v. *Massachusetts Hair & Felt Co.* (1 Cir. 1941), 124 F. 2d 95; *Burke Electric Company* v. *Independent Pneumatic Tool Co.* (2 Cir. 1916), 232 Fed. 145, 234 Fed. 93 and *McCreery Engineering Co.* v. *Massachusetts Fan Co.* (1 Cir. 1912), 195 Fed. 498, held that where no fully operative article or apparatus incorporating the invention was in existence prior to the critical date, neither a contract to sell nor an offer to enter into such a

contract is a placing of the apparatus on sale in the sense intended by the statute.

The adoption of such a rule is contrary to the very purpose and intent of the statute. In *Philco Corp. v. Admiral Corp.* (D. C. Del. 1961), 199 F. Supp. 797, the Court said, at 816:

> "Another line of cases primarily involving the 'public use' part of §102(b), has emphasized the underlying policies of that statutory provision. In *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F. 2d 516 (2 Cir. 1946) the question was whether the sale of the product made from a secret and subsequently patented process was a prior use. The finished product itself did not reveal the process. Judge Learned Hand held that an inventor cannot be allowed to use his device competitively more than one year prior to his patent application no matter how little the public learns of the invention. It was reasoned that such a competitive use prior to a patent application is the effective equivalent of an extension of the patent monopoly.
>
> There is no persuasive reason why the policy delineated so cogently in *Metallizing Engineering Co., supra*, does not apply to the 'on sale' portion of §102(b) . . . "

Thus, to place the statutory language and intent in proper prospective, the inquiry, as to whether or not an invention is "on sale", should be: was there a competitive sales effort inspired by profit?

The record clearly demonstrates that Knowles engaged in such a competitive sales effort with the sole purpose of selling his invention. Further, all of the acts done by

Knowles were prior to the cut-off date of May 23, 1951. Knowles:

1. Constructed a mock-up embodying the invention (September-October, 1950).

2. Displayed the mock-up to 25 or 30 people for the express purpose of selling freezers to them (December, 1950).

3. Organized a sales company for the distribution of the freezer (December, 1950).

4. Sold two freezers to Evergreen for delivery in the Summer of 1951 (January, 1951).

5. Commenced construction of the two freezers and ordered necessary parts (January, 1951).

6. Furnished to Evergreen the construction drawing for a special room to house the freezers, which room Evergreen thereupon constructed (February, 1951).

7. Completed construction and fully tested one freezer, except for the insertion of the freezer plates which did not constitute a part of the invention (May 10, 1951).

8. Agreed, generally, as to price and method of payment (January 30, 1951 and May 15, 1951).

The Court below rejected petitioner's argument that the "on sale" rule does not require an actual completed sale but merely an offer to sell. In so doing, the Court erred in two respects: first, the Court failed to recognize that prior to the cut-off date there was in existence a fully-operative article or apparatus incorporating the invention; and, secondly, the Court erroneously held that the "on

sale" rule requires a contract or an offer *and* a fully operative article or apparatus.

Prior to May 10, 1951, Knowles had one complete freezer less only the plates (Tr. 112, 113, 117, 118). On May 15, 1951 the assembled freezer was tested and approved. What was tested on May 15, 1951 was the very crux of the invention, that is, the mechanism for raising and lowering the stack of plates, and controlling its opening and closing at the loading and unloading ports. The successful test proved that the cradle and the dogs operated properly and that spacing could be achieved (Tr. 114, 125, 126).

Certain it is that by May 15, 1951 the invention was a fully operative article. The plates, a standard component in all freezer devices was not a part of the invention and, indeed, when the plates arrived the machines were ready to have the plates dropped into them (Tr. 105).

The Court below, having erroneously affirmed the trial court's finding that the Knowles freezer was not complete prior to the cut-off date, went on to hold that absent a completed machine, neither a contract nor an offer to sell constitutes the invention being "on sale".

This ruling in effect condoned the clearly competitive use of the freezer by Knowles with a resulting extension of the patent monopoly. This is the very same type of competitive use which the courts in *Metallizing Engineering Co.* v. *Kenyon Bearing & Auto Parts Co.* (2 Cir. 1946), 153 F. 2d 516, and *Philco Corp.* v. *Admiral Corp.* (D. C. Del. 1961), 199 F. Supp. 797, found to be against public policy.

In *Philco*, the fact situation closely parallels that found in the instant case. There, the cut-off date was May 10, 1958. In March of 1958 representatives of Firestone came to Philco to view a new line of television sets which would not be produced until June of that year. Although certain

hand made sets were undergoing testing, the prospective purchasers were shown mock-ups which would not perform electronically.

Prior to the cut off date, Firestone, through certain documents entitled releases, indicated the quantities they wanted delivered when the sets became available. Prices on the sets were not set until June 1st and a so-called purchase order was not given to Philco until June 18th.

In its decision in *Philco*, the Court stated, at 199 F. Supp. 815:

> "... Nevertheless, neither party treated the early showing or resultant 'releases' frivolously and each expected good faith behavior on the part of the other. Firestone and Philco wanted both flexibility and reliability, and they achieved this through a relationship which did not depend upon purely legal considerations. Philco's own testimony reflects this clearly. *The March meeting was regarded at Philco as a sales meeting, the purpose of which was to sell Philco's new line to Firestone.*" (Emphasis added.)

There is the clear recognition by the Court in *Philco* of the basic principle of patent law that the showing of a mock-up, even before completion of a fully operative device, for the purpose of soliciting orders, places the invention "on sale" and constitutes a competitive use of the invention and an extension of the patent monopoly.

In *Philco, supra*, there had been no production runs prior to the cut-off date and the hand made sets were still undergoing testing. In the instant case, not only was the mock-up a fully operative device, but prior to the cut-off date there was a finished and tested machine requiring only the addition of refrigerating plates which did not constitute a part of the invention.

In *Philco, supra*, final prices were not set until after the cut-off date, although the parties were working within an estimated price range. In the present case, the price was set as early as January 30, 1951 and the price set on that date became the actual price paid by the purchaser, except as modified as a result of the reduction in the number of plates used in the delivered freezers.

Nor can there be any doubt that after January, 1951 both Knowles and Evergreen treated the manufacturing and delivery of the freezers as a purchase and sale and each expected "good faith behavior on the part of the other". As early as January, 1951 Knowles began ordering parts for the freezers expending over $3,000 and in February, 1951 Evergreen commenced construction of the special room designed for the installation of the freezers.

As another indicia of whether or not the invention is "on sale", the Court in *Philco* held at 199 F. Supp. 817, 818:

> "The words 'on sale' themselves imply the intent of the inventor is the critical factor. It is a question of fact to be determined upon all the evidence and in the light of all the circumstances of the case. The words 'on sale' themselves are not so complex as to compel overly refined distinctions which ignore the infinite variety of commercial practices. In this case, it is clear Philco was trying to sell its new line to Firestone. *This was a competitive use.*" (Emphasis added.)

In the case at bar there can be no question that the intent of Knowles was to sell the invention contained in the Knowles Patent. This intent is not only amply demonstrated by the testimony of Knowles, the entries made in his diary, but, indeed, by the accomplished fact of the order taken by Knowles in January, 1951 and the subsequent

conduct of the parties showing that this intent was shared among Knowles and the purchaser, Evergreen.

To hold, as did the Court below, that competitive use is not shown in the absence of a fully completed operative device, is to ignore the basic intent of §102(b). The decision of the Court below would permit an inventor to extend his monopoly by exhibiting a mock-up for the express purpose of selling his invention and even producing the final finished product except for one or two minor parts which could be added at the inventor's whim.

Thus, the inventor, simply by adding a part to his machine, would be able to select the opportune moment to place his invention "on sale", regardless of whether or not he intended to sell or, indeed, *tried* to sell the invention.

In the instant case, the refrigeration plates, the final part to be added to the machine, but no part of the "invention", reached Knowles on May 22, 1951, prior to the cut-off date. All that was required was that the plates be dropped into the machine. By not doing so, Knowles was able to extend his patent monopoly in spite of the fact that he had, in fact, offered for sale, sold and completed a machine embodying the invention.

The Court below fixed two requirements to be met before an invention can be held to be "on sale": (1) a contract or offer to sell; *and* (2) a fully operative device. It is submitted that this holding is contrary to the decisions in *Philco Corp.* v. *Admiral Corp.* (D. C. Del. 1961), 199 F. Supp. 576 and *Metallizing Engineering Co.* v. *Kenyon Bearing & Auto Parts Co.* (2 Cir. 1946), 153 F. 2d 516, and the language and intent of 35 U. S. C. §102(b).

The Court below, in erroneously holding that the "on sale" rule required a completed operative device, rejected petitioner's argument that the "on sale" rule does not re-

quire an actual completed sale but merely an offer to sell. The rejection is an extension of the Court's narrow interpretation of §102(b) and further compounds the error of the Court below.

In *Wende v. Horine* (7 Cir. 1945), 225 Fed. 501, the cut-off date was December 21, 1896. The apparatus was demonstrated on several occasions prior to that date and on December 17 and 19, 1896, Horine submitted written proposals to prospective purchasers.

The Court held, at 225 Fed. 505:

> "The statute does not require a 'sale' but only a placing 'on sale', prior to two years before the application. Under the language a completed sale, either with or without delivery, is not demanded; an offer to sell, made to a prospective purchaser after the experimental stage has been passed, the invention reduced to practice, and the apparatus manufactured in its perfected form, is a placing on sale within the statute."

In *Chicopee Manufacturing Corp. v. Columbus Fiber Mills Co.* (M. D. Ga. 1958), 165 F. Supp. 307, the cut-off date was March 31, 1955. Prior to that date, samples of the patentees' cloth were shown to the Lincoln Mercury Division of the Ford Motor Company and sample orders were given to the patentee.

In holding that the showing of the samples and the taking of sample orders prior to the cut-off date constituted a placing of the patented product on sale more than one year prior to the application date, the Court held at 165 F. Supp. 324:

> "The statutory language is 'on sale' not 'sold'. Accordingly an actual sale is not necessary."

The Court below rejected the holding in *Chicopee, supra*, on the theory that samples of the cloth shown embodied the invention and were in existence when the offer was made. The *Chicopee* case, however, is offered for the proposition that an offer to sell prior to the cut-off date is all that is required under §102(b).

It is submitted that the offer to sell as defined in *Chicopee, supra*, coupled with the definition of competitive use as defined in *Philco, supra*, when applied to the facts of the instant case, clearly demonstrates that the Knowles invention was "on sale" prior to the cut-off date.

The decision in *Wendt* v. *Horine* (7 Cir. 1915), 225 Fed. 501 follows the earlier holdings in *Covert* v. *Covert* (C. A. W. D. N. Y. 1901), 106 Fed. 183 and *Dittgen* v. *Racine Paper Goods Co.* (C. C. E. D. Wisc., 1910), 181 Fed. 394. Further, it was cited with approval in the recent decisions in *Magee* v. *Coca-Cola Co.* (7 Cir. 1956), 232 F. 2d 596, *Chicopee Manufacturing Corp.* v. *Columbus Fiber Mills Co.* (D. C. M. D. Ga., 1958), 165 F. Supp. 307 and *Philco Corp.* v. *Admiral Corp.* (D. C. Del. 1961), 199 F. Supp. 797.

In relying on the decisions in *B. F. Sturtevant Co.* v. *Massachusetts Hair & Felt Co.* (1 Cir. 1941), 124 F. 2d 95, *Burke Electric Company* v. *Independent Pneumatic Tool Co.* (2 Cir. 1916), 234 Fed. 93 and *McCreery Engineering Co.* v. *Massachusetts Fan Co.* (1 Cir. 1912), 195 Fed. 498, the court below has erroneously emphasized the completion of a manufactured article as the criterion for placing the invention "on sale" rather than the competitive use of the invention.

The proper criterion should not be a technical sale as defined by the law of contract or the law of sales or depend upon the existence of a completed apparatus. The underlying purpose of the statute is to bar an unwarranted extension of the patent monopoly by a *competitive use* of an

invention out of a profit motive more than one year prior to the date of the patent application.

The Court below suggests that selling activity prior to the completion of a fully operative apparatus is not a "reliable indicium of competitive exploitation." The Court stated that this is a period of continual development, testing, and that such selling activity is likely to be for the purpose of eliciting needed changes in design and testing market potential.

Unlike *Browning Manufacturing Co. v. Bros, Incorporated* (D. C. Minn., 1962), 134 U. S. P. Q. 231, —— F. Supp. ——, there is no suggestion in the instant case that the machine had not been fully tested or that Knowles' activities were designed to sound out the industry's reaction.

On the contrary, prior to the cut-off date, Knowles offered for sale a completed invention, made a sale, constructed and completed the apparatus embodying the invention and fully tested the operating apparatus. Knowles' selling activity was not designed to test market reaction but to sell his invention; nor, was his activity designed to test the apparatus and make changes since the final testing was made prior to the cut-off date and the completed machine was an exact duplicate of the mock-up.

In the Court below, petitioner raised as further grounds for its appeal that Knowles was precluded from adding application Claims 25-29 on March 23, 1956 to his pending application for the reason that these claims were for the same or substantially the same subject matter as the MacKenzie Patent Claims #3, 6, 7, 10 and 12 and not having been asserted within one year from the date of issue of the MacKenzie Patent on December 28, 1954, were barred by the provisions of 35 U. S. C. 135.

The Court below ruled that the adjudication in No. 5092 from which petitioner did not appeal is *res judicata* on

this question. In No. 5092, the issues before the trial court concerned priority of invention and fraud in the procurement of the Knowles Patent.

In No. 5171, the petitioner asserted the statutory bar of 35 U. S. C. § 135 to the validity of the Knowles Patent. The petitioner appealed the adverse ruling of the trial court on this contention and the failure of the Court below to review the ruling of the trial court is error.

The questions presented by this case are of great significance in the field of patent law. The issues of "on sale" and competitive use as well as an interpretation of 35 U. S. C. § 102(b) are matters which have long resulted in splits of authority between the various circuits and between circuit courts and district courts.

The serious questions of public policy involved here, together with existing uncertainty of the law, makes this case a peculiarly appropriate one for the exercise of this Court's discretionary jurisdiction.

CONCLUSION

For the reasons set forth above, it is respectfully submitted that this petition for a writ of certiorari should be granted.

Respectfully submitted,

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(on the Brief)

APPENDIX

Opinion of United States Court of Appeals

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

No. 18177

AMERIO CONTACT PLATE FREEZERS, INC.,

Appellant,

—v.—

BELT-ICE CORPORATION and FRANK W. KNOWLES,

Appellees.

April 16, 1963

Rehearing Denied May 16, 1963

Before:

CHAMBERS, HAMLEY and MERRILL,

Circuit Judges.

HAMLEY, *Circuit Judge*:

Amerio Contact Plate Freezers, Inc. (Amerio), brought this action to have Knowles' United States Patent No. 2,927,443 declared invalid and not infringed by Amerio. As assignee of competing MacKenzie United States Patent No. 2,697,920, the company also sought an adjudication, under 35 U. S. C. § 291, concerning interfering patents. Both patents are for machines which automatically freeze

packaged foods. By denial and counterclaim the defendants, Frank W. Knowles, applicant for the Knowles patent, and Belt-Ice Corporation (Belt-Ice), assignee of that patent, joined issue on the allegations of the complaint.

After a trial to the court without a jury, judgment was rendered for defendants. Plaintiff appeals specifying as error findings of fact and conclusions of law bearing on all three issues—validity of the Knowles patent, its infringement, and interference between the Knowles and MacKenzie patents. In its briefs on appeal, however, appellant has not dealt with infringement as a separate issue.

Appellant contends that the trial court should have held the Knowles patent invalid on the ground that the Knowles invention was on sale more than one year prior to the date of the application for that patent. Reliance is thereby placed on 35 U. S. C. 102(b) which provides, in part, that a patent may not be granted if the invention has been in public use or on sale in this country more than one year prior to the date of the application for patent in the United States.

The application for the Knowles patent was filed on May 23, 1952; so that the critical date insofar as section 102(b) is concerned, is May 23, 1951. The trial court premised its conclusion of law that the Knowles patent was not on sale prior to May 23, 1951, on two crucial findings of fact, each of which is here challenged by appellant. One of these findings, and that to which we will first direct attention, is to the effect that appellees had not constructed a machine embodying the Knowles invention prior to May 23, 1951.[1]

[1] Appellant specified as error the finding ". . . that appellant (sic—appellees) did not construct a machine containing the invention prior to . . ." May 23, 1951. This specification makes reference to paragraphs 20 and 21 of the findings, but those paragraphs contain no recital to that effect. In paragraph 26,

In September and October, 1950, Knowles had workmen make a mock-up of a machine embodying the essential features of the Knowles invention.[3] It contained moving parts and could be operated to demonstrate how a freezer machine incorporating the invention would work.

But the mock-up was only a model, built on a reduced scale, and made from crating lumber and plywood. It was not capable of freezing packaged foods. Its construction was accordingly not that of a machine embodying the Knowles invention.

Prior to May 23, 1951, Knowles had under construction two machines embodying the invention which were intended to be fully operating freezer machines. At least one of these machines was near completion on the critical date.

Knowles began ordering materials for use in constructing these machines as early as January 2, 1951. The work of preparing plans began on the following day. On January 23, 1951, he ordered thirty refrigerator plates from Dole Refrigerating Company for installation in the machines. In March or April, 1951, appellees arranged to have the

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however, such a finding is in effect made. While the specifications of error make no express reference to paragraph 26, we will regard it as included in the specification referred to above, in view of the similarity of subject matter.

[3] The Knowles invention consists primarily of a cage containing a movable stack of refrigerated plates which may be operated so as to automatically freeze packaged foods. The plates are moved by means of an elevator in such a way that successive pairs of plates can be brought level with a loading port and opened for the insertion of packages. The plates are held in place for this operation by control elements called "dogs." A machine incorporating the invention loads from the front and unloads from the rear at a single level.

[4] In this invention the element which makes products freeze is an ammonia refrigerant which is circulated through refrigeration contact plates. Without these plates the machine could not perform its function.

two machines constructed in the Carmac Shipyards in Seattle.

The date set for completion was July 5, 1951; as Knowles testified, this was when the machines were required by Evergreen Frozen Foods Co. (Evergreen) for the pea season. Knowles testified that the major portion of the work on the machines was done before May 2, and that one machine was "definitely assembled" by May 15, except for the installation of the freezer plates. Installation of the plates required that they be dropped into place after which steel reinforcing bars and other minor parts were added.

Knowles testified that the plates did not arrive until May 22.[1] Before the plates arrived, all testing which could be done without the presence of the plates had been completed and was successful.[2] The plate control mechanism, however, could not be tested until the plates were installed.

When the critical date of May 23, 1951 arrived, however, there was still considerable work to be done before either of these machines would be fully operative. Work on the plates after their arrival was in progress at the Belt-Ice plant on May 23. On May 25, Knowles took two of them over to the Carmac yards and for the first time placed plates in one of these machines. The placing of plates proceeded without interruption after this initial installation, but the work of adding the reinforcing bars and other minor parts was in progress until June 16.[3]

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[1] Knowles' diary contains a May 15, 1951 entry: "Plates arrived." But on May 18, 1951, he wrote in his diary: "No plates as yet."

[2] Knowles testified that he knew the plates would work because they had been in use for years. But, until the plates were completely installed and the machine set up, it was not possible to test, by mechanical means, whether the plates would stop at the right location, engage the dogs properly, and move all the way up and down.

[3] Four steel reinforcing bars were needed for each plate. These bars were made at the Belt-Ice plant. After the plates were

After the plates had been received and installed the machines were given operating tests in the Carmac shipyards. However, it was necessary to postpone final testing until the machines could be set up at the Evergreen plant because there was no refrigerant or compression system at the shipyards.

The machines were shipped to the Evergreen plant at Snohomish on June 19 and 21, 1951. They were then installed, hooked up to a refrigeration system, operated and tested as fully completed freezers.

This testing was conducted by Belt-Ice employees and consisted of the introduction of ammonia vapor under pressure to determine if all the joints were right, and all the hoses were tight. The machines operated satisfactorily except for the development of some improper icing conditions which were corrected by the application of antifreeze to critical parts.

Testing by Belt-Ice employees was in progress until July 9, and on July 12 Knowles wrote in his diary: "Job finished. We have a freezer." The two machines were

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dropped into place, each bar had to be drilled, tapped and screwed to the plate. With regard to this, Knowles testified: ". . . it is a lot of work, and that wouldn't be done until the plates arrived." Counterweight rods, constructed and installed after placing the plates, were also required so that the machines could accommodate heavy loads.

The following entries were made in Knowles' diary, covering the period from May 28 to June 16, 1951:

May 28—". . . Package freezer going together okeh."

June 1—". . . Motor for package freezers shipped."

June 4—"Still working on package freezers. . . ."

June 7—"Freezers coming along . . . Motors Monday."

June 8—"Freezers still coming along . . ."

June 16—"Ship and Carmac . . . Package freezers about finished. R.O.C. [R. O. Cedargreen, manager of Evergreen] will pick up first one Monday a.m. We will live with it from then on."

used to freeze peas, corn, strawberries and raspberries during the months of July, August and September, 1951. The evidence reviewed above, which is not disputed, amply demonstrates that neither of the machines being constructed for Evergreen was completed prior to May 23, 1951. It is not asserted that any other machines embodying the invention were completed, or even under construction, prior to that date.

In our opinion the finding of fact that appellees did not, prior to May 23, 1951, construct a machine embodying the Knowles invention, is not clearly erroneous.

The second finding of fact questioned on this appeal is to the effect that there was no definite offer made by one party to buy or sell a machine embodying the Knowles invention, and accepted by the other, prior to May 23, 1951. Appellant argues that a contract between Knowles and Evergreen for the construction, sale and purchase of the two machines referred to above was in existence prior to that date.

Drawings pertaining to the invention, and the mock-up referred to above, were shown to potential customers late in 1950. They were shown to Cedargreen, manager of Evergreen, on December 20, 1950.[2] At that time Cedargreen indicated an interest in obtaining two freezer machines for Evergreen.[3] On January 2, 1951, Knowles saw Cedargreen again and it was on this date that Knowles began ordering

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[2] Since appellant is asserting the "on sale" defense, it had the burden of proof to establish the facts which would call that defense into play. In order to sustain this burden appellant was not required to prove these facts beyond a reasonable doubt. It was, however, required to prove them by substantial, clear and satisfactory evidence. *Tucker Aluminum Products, Inc.* v. *Grossman*, 9 Cir., 312 F.2d 293, decided January 10, 1963.

[3] On that date Knowles made this entry in his diary: "R.O.C. [Cedargreen] in wants a couple of freezers. Guess we are going to have to build them."

materials needed for the construction of two such machines. On January 9, Knowles visited the Evergreen plant in Snohomish, Washington, and saw Cedargreen at that time.

On January 30, 1951, Belt-Tee quoted to Evergreen two fifteen-station Knowles automatic package freezers at $11,400, f.o.b. Seattle. The terms stated were twenty-five percent with the order, fifty percent upon delivery, and twenty-five percent after thirty days of operation. Knowles testified, in effect, that he knew at this time that Evergreen would buy two of the freezers "if they could finance them."

On February 14, 1951, Cedargreen, replying to the letter of January 30, 1951, stated that Evergreen could not purchase the freezers outright. Evergreen indicated, however, that it might be able to buy them on a rental basis, paying a cent a pound upon products frozen in the machine, such rental to apply on the purchase price. The next day Knowles replied that he was "willing to go along on a deal of that sort if we could have an advance to aid in building the freezers."

In a deposition which Knowles had given in January, 1958, in Patent Office Interference No. 88,174, Knowles made statement to the effect that these machines were being constructed pursuant to an order from Evergreen received early in 1951.[*]

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[*] In this deposition the following colloquy occurred:

"Q 74. What was the next activity regarding the package freezer following the construction of this prototype? A. I actually sold one.—I sold two, rather, to the Evergreen Frozen Foods from the prototype and the preliminary sketches. Q 75. What do you mean by sold? A. Well, they said they would take two of them. Q 76. Who are 'they'? A. R. O. Cedargreen, was the manager of the place."

"Q 344. Why was Belt-Tee anxious to obtain these plates, Mr. Knowles? A. I had taken an order for two package freezers into which these plates were to go, from the Evergreen Frozen Foods, and had verbally agreed that delivery would be made the first of June, so that the plant would be ready for peas about the first of July."

At the 1962 trial, however, Knowles testified that he had no order for these machines until June, 1951, and that they were built on "speculation."

The assignment of one of the job orders to those freezers states that they were "for stock." On June 5, 1951, Knowles noted in his diary: "R.O.C. came in. Looked at freezers. Agreed to write us a letter outlining payment of one cent per pound up to 5,000 [sic. 500,000] pounds, then one-half cent." A purchase order to this effect was written on June 23, 1951.[19]

The court apparently considered that Knowles' trial court testimony as to when the contract with Evergreen had been entered into was more accurate than his inconsistent testimony in the 1958 deposition. The written communications between the parties and Knowles' diary entries support this view. According to these items of evidence no oral contract was entered into prior to June 5, 1951, and no written contract until June 23.

We conclude that the finding that no contract was entered into between these parties prior to May 23, 1951, is not clearly erroneous.

Apart from its attack upon the findings of fact discussed above, appellant argues that the trial court erred in concluding that the Knowles invention was not on sale, within the meaning of section 102(b), prior to May 23, 1951.

The correctness of this ruling is to be judged in the light of the entire course of conduct of Knowles and Belt-Ice. This will include the now-established facts that no fully-operative machine embodying the Knowles invention had

[19] The terms of payment stated in this letter were one cent per pound for all produce frozen up to 500,000 pounds and one-half cent per pound thereafter throughout the 1951 freezing season; the balance thereafter, if any, to bear six percent interest from the end of the season until paid in ful"; the same terms to apply to the 1952 season.

been completed, and no contract for the construction and sale of such a machine had been entered into, prior to the critical date.

The latter facts are sufficient to distinguish every appellate decision, involving an invention incorporated in an article for sale, upon which appellant relies in attacking this conclusion of law. Those are all cases where, prior to the crucial date, there was an offer or a contract to sell an article or apparatus embodying the invention, and at least one fully-operative article or apparatus of that kind was completed prior to the critical date.[11]

Where no fully operative article or apparatus incorporating the invention was in existence prior to the critical date, the appellate courts have uniformly held that a contract, prior to that date, to sell such an article or apparatus, is not a placing of the invention on sale in the sense intended by the statute.[12] If a contract to sell a machine embodying the invention does not place the invention on sale prior to the time a fully-operative machine comes into existence, it would seem that an offer to enter into such a contract could have no greater efficacy in producing "on sale" conduct. It follows that, if we are to adhere to the decisional law last cited, the trial court conclusion was correct whether a contract had been entered into, or only an offer had been made, prior to May 23, 1951.

Appellant calls attention to a number of district court decisions which, in its opinion, stand for the proposition that an article or apparatus embodying the invention may be on sale prior to the crucial date, within the meaning of

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[11] Contract to sell: *Tucker Aluminium Products, Inc.* v. *Grossman*, 9 Cir., 312 F.2d 293; offer to sell; *Wende* v. *Horine*, 7 Cir., 225 Fed. 501; cf. *Magee* v. *Coca-Cola Company*, 7 Cir., 232 F.2d 596.

[12] *B. F. Sturtevant Co.* v. *Massachusetts Hair & Felt Co.*, 1 Cir., 124 F.2d 95; *Burke Electric Company* v. *Ind. Pneumatic Tool Co.*, 2 Cir., 232 Fed. 145, 234 Fed. 93; *McCreery Engineering Co.* v. *Massachusetts Fan Co.*, 1 Cir., 195 Fed. 498.

section 102(b), even though no fully-operative article or apparatus of that kind is in existence prior to that date.

In view of the available appellate court decisional law bearing on the point, as indicated above, we do not believe that an examination of all of these district court decisions (which, appellees assert can for the most part be distinguished) would be helpful. However, appellant contends, in effect, that the citation of *Philco Corporation* v. *Admiral Corporation*, D. C. Del. 199 F. Supp. 797, and *Chicopee Mfg. Corp.* v. *Columbus Fiber Mills Co.*, D. C. Ga. 165 F. Supp. 807, in our recent *Tucker* decision (not 11), represents acceptance by this court of all that *Philco* and *Chicopee* stand for.

We do not regard *Chicopee* as holding that an offer to sell an article embodying the invention places the invention on sale prior to the time that a completed article embodying the invention is in existence. In that case samples of the cloth embodying the invention were in existence and the offer was made with reference to the samples. It seems to us that a sample of a cloth embodying an invention is a fully-completed article of the kind proposed to be sold. The mock-up of the Knowles machine was not a sample but only a non-operative model, and hence not a completed article embodying the invention.

In *Philco*, the district court held that a showing of non-operative mock-ups of a television set embodying the invention, for the purpose of soliciting orders, was a sufficient competitive exploitation to constitute a placing of the invention on sale. At the time of such showing there were in existence several completely operative but handmade sets embodying the invention. These sets were then undergoing final tests and no production runs had yet been made.

Prior to the critical date and as a result of such showing, the prospective buyer, Firestone Tire and Rubber Co., executed certain documents entitled "releases" which, under

the longstanding business relationship between the two companies, Philco considered as equivalent to a purchase for its purposes. The "releases" were not, however, binding purchase orders in the normal sense. In holding that the Philco activity amounted to a placing of the invention "on sale," the district court used language which indicates that it would probably have reached the same result if the handmade sets had not been in existence prior to the crucial date.

But while *Philco* (but not *Chicopee*) may thus be taken as a district court decision contrary to the conclusion we have expressed above, our reference thereto in *Tucker* did not constitute an acceptance of that position. In *Tucker*, articles embodying the invention were concededly in existence prior to the critical date and we there had no occasion to consider what our view would be if this were not the case.

In *Tucker* both *Chicopee* and *Philco* were cited only on the question of whether it was necessary that a contract to sell articles embodying the invention, entered into prior to the critical date, must be performed to the extent of delivery prior to that date, in order for there to have been "on sale" activity before that date. We held that delivery was not necessary. In the case now before us there was no completed article capable of being delivered before the critical date.

The purpose of the "on sale" provision of the statute is to prevent an inventor from having the advantage of a monopoly for more than the statutory period by engaging in the competitive exploitation of his invention after it is fully developed before applying for a patent. Cf. *Metallizing Engineering Co.* v. *Kenyon Bearing & Auto Parts Co.*, 2 Cir., 153 F. 2d 516, 518.[13]

[13] Congress originally set the permissible period of "on sale" activity prior to patent application at two years. Section 7, Act

Ordinarly, however, selling activity (at least activity short of actual sales) prior to the time that a fully-operative article or apparatus incorporating the invention comes into existence, is not a reliable indicium of competitive exploitation. Until at least an operative prototype has been completed and tested, the competitive effectiveness of such activity, in all probability, will be impaired by the aura of continuing developmental, experimental and testing effort. Moreover, at this stage, such activity is likely to be more for the purpose of eliciting needed changes in design and testing whether the market potential warrants continuance of the project, than to launch full-fledged commercial exploitation.

We need not decide whether a different result would have been called for in our case if a contract to buy and sell the machines in question had been entered into before May 23, 1951.[14] Nor do we hold that circumstances could not be stated which would warrant a conclusion that an invention was on sale prior to the crucial date even though no prototype was then in existence, and no binding contract had been entered into.[15]

Here there was not a contract prior to May 23, 1951. Nor were there special circumstances which required the court to hold, despite the absence of a contract and of a fully-completed prototype, that the invention was on sale, in the statutory sense, prior to that date.

March 3, 1839, 5 Stat. 353, 354. Demonstrating its continued adherence, and perhaps increased interest, in that policy, Congress, in 1939, shortened this permissible period to one year. Section 1, Act of August 5, 1939, 53 Stat. 1212.

[14] But see the cases cited in note 12.

[15] *Philco* may have been such a case. The transaction there in question, involving companies which had long dealt with each other on a special basis, may well have given the seller a competitive advantage that could properly be equated with "on sale" activity.

In our opinion the trial court did not err in concluding that the Knowles invention was not on sale prior to May 23, 1951. We accordingly sustain the holding of that court, as against the section 102(b) contention, that the Knowles invention is valid and has been infringed by appellant.

The remaining question has to do with the issue raised in appellant's second cause of action concerning alleged interference between the Knowles and MacKenzie patents. In this connection appellant, predicating district court jurisdiction on 35 U. S. C. §291, invoked the second paragraph of 35 U. S. C. §135, now 35 U. S. C. §135(b). Under this provision one may not, in any patent application, make a claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent, unless such a claim is made prior to one year from the date on which the patent was granted.

On December 28, 1954, while the Knowles patent application was pending in the United States Patent Office, that office issued MacKenzie Patent No. 2,697,920. In Patent Office Interference No. 88174 between the MacKenzie patent and the Knowles patent application it was contended on behalf of the MacKenzie patent that Knowles was advancing claims which were untimely under section 135. In support of this view it was asserted that the first time Knowles advanced claims which conformed closely to MacKenzie Patent claims 3, 6, 7, 10 and 12, was on March 23, 1956, when Knowles added claims 25, 26, 27, 28 and 29 to his pending application.

During the motion period in the patent office proceedings the Primary Examiner rejected a like contention. He ruled, in effect, that the code is satisfied if an applicant, in any of his claims, had claimed the subject matter of his invention within the critical year, and that Knowles had done so with regard to the claims he filed on March 23, 1956. When the interference proceeding came before the Patent

Office Board of Patent Interferences; the same conclusion was reached, and Knowles was awarded priority with regard to his March 23, 1956 claims. Patent Office Interference No. 88,174.[16]

Appellant then began a district court proceeding to review that decision of the Patent Office Board. Commenced in the same district court as that in which the suit now before us was filed, it was docketed as Civil Action No. 5092, and consolidated for trial with the instant suit (Civil Action No. 5171). As before indicated, appellant made the interference question the subject of the second cause of action in the suit here on appeal.

In No. 5092 judgment was entered for Knowles and Beltzer, and against Amerio, thus sustaining the decision of the Patent Office Board. Amerio has not appealed from that decision but has specified as error the adverse ruling of the district court on its second cause of action in the suit before us, in which the interference question was independently raised.

Appellees argue, and we agree, that the adjudication in No. 5092 is res judicata on this question. Were we to here consider the interference question on the merits, and reverse, there would be in existence two inconsistent final

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[16] The Board said in its decision:

"On the second question in issue, that of estoppel under 35 U.S.C. 135 on whether or not Knowles had claimed substantially the same invention at some time up to within a year of the grant of the Mackenzie patent we consider that the Primary Examiner arrived at the correct conclusion in holding Knowles not to be estopped. * * * As explained in Rieser v. Williams 733 O.G. 572, 118 U.S.P.Q. 96 every limitation in the count claim of the patent is material as regards right to make or priority, but is not material as regards claiming by the applicant before the lapse of the statutory year unless there is a difference in the limitation that is inventive, critical to patentability. * * * The party Knowles accordingly is held not barred by estopped under 35 U.S.C. 135 * * *"

judgments. One would sustain the Patent Office Board determination awarding Knowles priority on the questioned claims, and the other would, in effect, award priority to MacKenzie. Appellant has not asked us to regard the instant appeal as also bringing on for review the judgment in No. 5092, and in any event we find no warrant for doing so.

The judgment is affirmed.